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Posted on Fri, Mar. 10, 2006

Federal buyout triggers tobacco exodus in the South

ELLIOTT MINOR
Associated Press

HAHIRA, Ga. - Tobacco farmers like Fred Wetherington are becoming a rarity in these parts. About 60 percent of Georgia's 1,000 tobacco growers have called it quits since the \$10 billion federal tobacco buyout of 2004, and nearly half have done the same in the all Southeastern states that produce flue-cured tobacco.

"We're trying to hang in there," said Wetherington, who grows 600 acres in south Georgia and sells his leaf directly to the major tobacco company Philip Morris USA. "Our attitude is to take it easy for the next few years, not make any long-term commitments and see what our margins are."

Before the buyout, about 15,000 farmers grew flue-cured tobacco in five states - Georgia, South Carolina, North Carolina, Virginia and Florida - but since then, between 6,000 to 7,500 have stopped growing it, said Arnold Hamm, general manager of the Flue-Cured Tobacco Cooperative of Raleigh, N.C.

Some were older farmers who used their buyout cash to transition into retirement, Hamm said.

The buyout ended 70 years of government subsidies on a crop that had been a mainstay of Southern agriculture for 400 years, starting with the Jamestown Colony in Virginia - a venture that would not have survived without profits from the golden leaf.

Even the Flue-Cured Tobacco Cooperative has had to reinvent itself. The co-op used to manage the federal tobacco program, but now buys tobacco from farmers, processes it at a plant at Timberlake, N.C., and sells it to customers.

The production of flue-cured tobacco, one of Georgia's top cash crops since the 1930s, has been declining throughout the Southeast for years because of reduced cigarette consumption and stiffer foreign competition.

Georgia had about 2,000 growers a decade ago, 1,000 before the buyout and 500 last year, said J. Michael Moore, the University of Georgia's tobacco specialist.

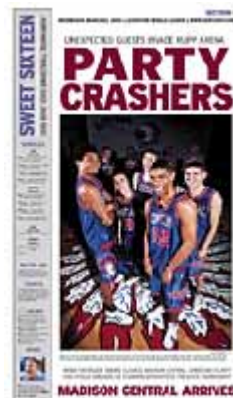
Disappointing prices, an outbreak of tomato spotted wilt virus, and more than 35 inches of



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excess rainfall that drowned fields last year persuaded another 100 growers to call it quits - leaving the state with around 400 growers, Moore said.

Spotted wilt has become a chronic problem in south Georgia, creating an advantage for states further north, such as North Carolina, where it is less severe.

"The spotted wilt virus ... has made it very difficult for us to be competitive in the current market conditions," said Tommy Irvin, Georgia's Commissioner of Agriculture.

Under the old tobacco program, the government set production limits but also provided price guarantees when farmers sold the crop. That system served farmers well until smokers began kicking the habit. In response to reduced demand and shrinking exports, agriculture officials cut tobacco production by more than half between 1998 and 2004. That greatly reduced farmers' earning potential and left them with excess equipment.

Under the new system, most of the leaf is grown under contract with tobacco companies. The companies specify the quantity they need and the price they'll pay.

Those prices were disappointing last year, but have improved, raising growers' hopes for a better season, Moore said.

Farmers will begin setting out their tiny tobacco plants in fields across south Georgia in late March and early April. They may devote as much as 18,000 acres to tobacco, about 750 acres more than last year, Moore said.

"It's surprising how optimistic growers are approaching the season because they were pretty negative in the fall and winter," Moore said.

Wetherington, vice chairman of the Georgia Tobacco Commission, said Georgia growers need a few normal seasons to assess the crop's long-term profit potential.

"We need to get a feel for this free-market situation," he said. "There's a lot more risk."

Elliott Minor has covered Georgia agriculture and rural issues for The Associated Press since 1984.



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